

RESOLUTION NO. 2011-63

A RESOLUTION OF THE LODI CITY COUNCIL APPROVING
THE NORTHERN CALIFORNIA POWER AGENCY NATURAL GAS
PROGRAM AGREEMENT AND AUTHORIZING EXECUTION BY
THE CITY MANAGER AND ADMINISTRATION BY THE
ELECTRIC UTILITY DIRECTOR

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WHEREAS, the City of Lodi ("City") is a project participant in natural gas fired generation facilities and has a need to procure natural gas through the use of forward market purchases to assure greater rate stability for its customers; and

WHEREAS, in response to this need, Northern California Power Agency ("NCPA") has developed a Natural Gas Purchase Program that can be used by NCPA members to purchase natural gas as fuel for electric power generation for the benefit of their respective customers; and

WHEREAS, the City is a member of NCPA; and

WHEREAS, the City may elect to become a participant in the Natural Gas Purchase Program by executing the Natural Gas Program Agreement, under which the City can direct NCPA to purchase natural gas, through the use of forward market purchases or physical call options, to reduce the portion of its natural gas needs that would otherwise have to be obtained in a potentially volatile spot market; and

WHEREAS, the City, as a participant in the Natural Gas Purchase Program, may also elect to have the opportunity to stabilize its long-term natural gas fuel costs and budgets through the use of financial transactions, and in order for the City to use financial transactions to stabilize its natural gas fuel costs, the City must execute the Financial Addendum attached to the Natural Gas Program Agreement, and the election to use financial transactions is purely voluntary and is not required to participate in the Natural Gas Purchase Program; and

WHEREAS, the City, as a participant in the Natural Gas Purchase Program, may direct NCPA to procure natural gas on its behalf from third parties using competitive bids submitted in response to a NCPA Request for Proposals, or through direct purchases from the State Department of General Services ("DGS") Gas Program, or its successor program, so long as the DGS program is available; and

WHEREAS, all procurement of natural gas under the Natural Gas Purchase Program must meet certain conditions listed in the Natural Gas Program Agreement; and

WHEREAS, NCPA will procure natural gas on behalf of the City using industry-standard forms of agreement for natural gas purchases, including NCPA's standard form North American Energy Standards Board ("NAESB") base contract, and associated special provisions, and such agreements for natural gas purchases may be modified in the discretion of the NCPA General Manager and NCPA's General Counsel, after consultation with the City; and

WHEREAS, NCPA has developed a model credit support addendum, and associated special provisions to the model credit support addendum, to be used in conjunction with the NCPA standard form NAESB base contract; and

WHEREAS, costs for participating in the Natural Gas Purchase Program include a) a monthly fixed charge, b) a variable charge that is allocated to each participant, including the City, in accordance with the Natural Gas Program Agreement, c) transaction specific costs associated with the City's natural gas transactions, d) commodity costs specific to the City's natural gas transactions, and e) initial start-up costs, including staff costs, legal costs and costs associated with establishing the third party gas purchase agreements that will be used under the Natural Gas Purchase Program; and

WHEREAS, the City, as a participant in the Natural Gas Purchase Program, is required to deposit funds into a Security Account held by NCPA equal to the highest three (3) months of estimated commodity costs for all natural gas transactions the City has or will subscribe to as estimated by NCPA, prior to entering into any natural gas transactions.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby authorize the City Manager to execute the NCPA Natural Gas Program Agreement to provide a means for the City of Lodi to reduce the portion of its natural gas needs that would otherwise have to be obtained in a potentially volatile spot market, through the use of transactions provided for under Natural Gas Program Agreement; thereby assuring greater rate stability for its customers with administration by the Electric Utility Director.

Dated: April 20, 2011

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I hereby certify that Resolution No. 2011-63 was passed and adopted by the City Council of the City of Lodi in a regular meeting held April 20, 2011, by the following vote:

AYES: COUNCIL MEMBERS – Hansen, Katzakian, Nakanishi, and Mayor Johnson

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – Mounce

ABSTAIN: COUNCIL MEMBERS – None


RANDI JOHL
City Clerk